DOCUMENT RESUME

ED 267 690 HE 019 158

TITLE Instructional Equipment Funding in California Public Higher Education. A Report to the Legislature in Response to Supplemental Language in the 1985-86 Budget Act. Commission Report 85-38.

INSTITUTION California State Postsecondary Education Commission, Sacramento.

PUB DATE Dec 85

NOTE 34p.

AVAILABLE FROM California Postsecondary Education Commission, 1020 Twelfth Street, Sacramento, CA 95814.

PUB TYPE Legal/Legislative/Regulatory Materials (090) -- Reports - Descriptive (141)

EDRS PRICE MF01/PC02 Plus Postage.

DESCRIPTORS Administrative Policy; *Budgeting; *Capital Outlay (for Fixed Assets); Community Colleges; Cost Indexes; *Educational Equipment; Government School Relationship; Guidelines; Higher Education; Money Management; *Purchasing; State Aid; *State Colleges

IDENTIFIERS California; California Community Colleges; *California State University; Public Colleges; *University of California

ABSTRACT

Budgeting for instructional equipment at California's public colleges and universities is considered. Information is provided on how the University of California and the California State University budget the replacement of existing instructional equipment as well as instructional equipment in new or altered facilities. Methods used by the community colleges for budgeting instructional equipment in existing or new/altered facilities are also covered. Observations are offered regarding the appropriateness of support and capital outlay portions of the state's budget for the two types of equipment funds, as well as the use of other state and extramural funds. Conclusions and recommendations of the California Postsecondary Education Commission are offered on the methods and funds for instructional equipment budgeting in California public higher education. Appendices include: equipment price indices, University of California policy on gifts-in-kind, California State University Preliminary Report on Instructional Equipment Replacement, University of California Policy Guidelines for Requesting State Capital Outlay Funds to Equip New or Altered Space, and California Community College Guidelines for Instructional Equipment Purchases from State Allocation. (SW)

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INSTRUCTIONAL EQUIPMENT FUNDING IN CALIFORNIA PUBLIC HIGHER EDUCATION

A Report to the Legislature in Response to Supplemental Language in the 1985-86 Budget Act

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CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

COMMISSION REPORT 85-38
DECEMBER 1985

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Introduction

ITEM 6420-001-001 of the 1985-86 Budget Act contained the following Supplemental Language regarding the California Postsecondary Education Commission:

> 5. Equipment Study. The CPEC shall report to the Legislature concerning appropriate state policies for funding new equipment in the public segments of higher education. This review shall consider the adequacy of current measures of need for new equipment and for replacement of existing equipment and procedures for determining the need for equipment in newly constructed or remodeled facilities. The report will also recommend whether the support or capital outlay portions of the state's budget are appropriate for the various types of equipment funds. The report shall be submitted to the legislative fiscal committees and the Joint Legislative Budget Committee by December 1, 1985.

To help the Commission fulfill this responsibility, officials of the University of California, the California State University, and the Chancellor's Office of the California Community Colleges provided Commission staff with written statements and descriptions of their respective policies and procedures for budgeting instructional equipment. The staff then held formal discussions with officials of each segment and with staff of the Office of the Legislative Analyst to identify key policy issues regarding funding for instructional equipment.

In this report, the Commission seeks to provide an overview of each segment's approach to funding instructional equipment, comment on the major policy issues involved, and recommend appropriate State action on them. The report is divided into five sections:

- Chapter One explains how the University of California and the California State University budget the replacement of existing instructional equipment;
- Chapter Two describes how the University and State University budget for instructional equipment in new or altered facilities;
- Chapter Three examines the methods used by the Community Colleges for budgeting instructional equipment in existing as well as new or altered facilities.
- Chapter Four offers observations regarding the appropriateness of support and capital outlay portions of the State's budget for the two types of equipment funds as well as the use of other State and extramural funds.
- And Chapter Five presents the Commission's conclusions and recommendations on the methods and funds for instructional equipment budgeting in California public higher education.

The Commission wishes to acknowledge the assistance of the segments and the Office of the Legislative Analyst in providing needed information for this report.

1 *Budgeting for the Replacement of Instructional Equipment at California's Public Universities*

IN 1983, the Legislature directed the University of California, the California State University, the Department of Finance, and the Legislative Analyst's office to jointly develop a model for funding the purchase of high-technology instructional equipment. In complying with this directive, representatives of these segments and agencies conducted a thorough review of the two segments' processes for determining the need to replace instructional equipment as well as the historical relation between this determined need and the available funds.

On the basis of this review, the Legislative Analyst concluded that the model used by the University since 1976-77 to estimate its instructional equipment replacement needs was "a reasonable methodology for estimating yearly depreciation." Although the Analyst concluded that this model might unavoidably understate the need to replace some high technology equipment, this underestimation would be compensated for by the possible overestimation of the need for other equipment. Since the State University had been determining its need for instructional equipment replacement largely on the basis of *ad hoc* adjustments to formula price increases, the Analyst recommended that it also use the University's model. In Supplemental Language to the 1984-85 Budget Act, the Legislature directed the State University to do so. Recently, the State University completed this task, and its estimated equipment replacement needs based on the model will be reflected in its 1986-87 Budget Report. Officials of both segments agree that the model, which uses estimated depreciation to schedule an orderly replacement of instructional equipment, results in good budgetary practice.

Elements of the Instructional Equipment Replacement Model

The model used by the two segments derives its depreciation estimates for equipment that still has a useful life by means of a computerized inventory management system that calculates (1) the price-adjusted value of equipment; (2) its average useful life; (3) salvage value; and (4) its annual depreciation rate.

Price adjusted value

The segments annually adjust the price index schedules used in the model in order to reflect the impact of inflation by using the Annual Average Producer Price Index published by the U.S. Department of Labor. These price index schedules, identified by letter codes A to Z, cover the following 26 functional groups of inventorial equipment:

A. Wood products
B. Nonferrous metals
C. Metal containers
D. Hardware
E. Plumbing fixtures
F. Heating equipment
G. Fabricated metal products
H. Miscellaneous metal products
I. Agricultural machinery and equipment
J. Construction machinery and equipment
K. Metalworking machinery and equipment
L. General purpose machinery and equipment
M. Special industry machinery and equipment
N. Electrical machinery and equipment
O. Miscellaneous machinery and equipment
P. Household furniture
Q. Commercial furniture
R. Floor coverings
S. Household appliances
T. Home electrical equipment
U. Other household durables
V. Motor vehicles and equipment
W. Sporting goods and small arms
X. Photographic equipment
Y. Other miscellaneous products
Z. All industrial machinery and equipment

In the event that certain equipment does not correspond to a specific schedule, it is assigned to Schedule Z, "All Industrial Machinery and Equipment." Ap-

pendix A explains the detailed proce-dures used by the segments to adjust the price of equipment.

Average useful life

The University and State University define the "average useful life" of instructional equipment as the time period during which the equipment retains its ability to serve its intended purpose. To assign useful life values to instructional equipment groups, they rely primarily on data from the federal Internal Revenue Service, the American Hospital Association, and the California State Board of Equalization. Where differences exist between estimates for the same type of equipment, they are resolved in favor of the modal estimate or, if no modal estimate occurs, the highest estimate.

Salvage value

The salvage value of equipment is the estimated price for which it can be sold at the end of its estimated useful life, as obtained from the Marshall and Swift Publication Company. The computerized inventory management system is designed to depreciate equipment no lower than its salvage value, which is expressed in the system as a percent of the price-adjusted value of each equipment item.

Annual depreciation rates

Annual depreciation rates are incorporated into the inventory management system to yield an estimate of the adjusted value of equipment depreciation expected to accrue across functional equipment categories during the next reported fiscal year. These rates are calculated using "straight-line" depreciation, whereby the amount of depreciation is estimated to be the same in each year of the equipment's useful life. The rates are also adjusted for salvage value. For example, an item purchased for $1,000 with a salvage value of 10 percent and a useful life of five years has an annual depreciation rate of 18 percent. Thus its value depreciates 18 percent of its annually adjusted price value each year for five years, at which point it will have been totally depreciated down to its salvage value.

The University and State University use this method for determining replacement equipment needs for all equipment costing over $500 -- some 88 percent of their instructional equipment inventories. They use a separate depreciation schedule for the remaining 12 percent, based on the actual useful life (10 years) and salvage value (7 percent) of items that cost under $500, in order to manage the large volume of items in this classification.

Relation of replacement need to replacement funding

The State first recognized the University's need for instructional equipment replacement in 1976-77 but did not provide full funding of its estimated annual need until 1984-85. As a result of the underfunding in that eight-year period, the University's backlog of obsolete instructional equipment grew dramatically -- to an estimated $65.8 million that year, according to the Legislative Analyst. Over these eight years, the backlog of the State University grew to $56.5 million in 1984 dollars.

The consequences of this delay in full funding are made clear in the University's 1986-87 budget statement (p. 44):

> The past lack of equipment funds has had a negative effect on the instructional program. Departments across the University have redesigned courses around less effective and outmoded equipment, eliminating experiments and exercises from laboratory sessions, reducing laboratory class size because of equipment shortages and then reducing the length of laboratory sessions in order to offer more sections to meet student demand, and limiting enrollments in some majors. The lack of up-to-date equipment for instruction and research also affects the University's ability to recruit and retain faculty.

Reductions in the University's backlog were made in 1985-86 through a $10 million appropriation designated for this purpose. The University has requested another $10 million for 1986-87 to further reduce the backlog, and it anticipates similar subsequent requests in order eventually to fully eliminate the backlog. The State University has begun similar efforts, but so far it has not received any funds for this purpose.

It is in the State's interest to establish an ongoing support level for funding instructional equipment

replacement that will lead to the systematic reduction and eventual elimination of this backlog of obsolete equipment in need of replacement.

The unresolved issue of equipment donations

The major unresolved policy issue regarding equipment replacement concerns donated instructional equipment. At issue is whether the segments should be officially authorized to add equipment donations to their equipment inventories for maintenance and replacement through State funds. This legislative concern has stemmed from a possibility that the segments would thereby excessively expand their State-funded equipment inventories.

Clearly, there are two sides to allowing the inclusion of donations to the State inventory. For example, obvious educational benefits may be gained by students having "hands-on" experience with even an older though expensive laser donated by an electronics corporation. On the other hand, the laser might be very costly to repair let alone replace, and these resources might be used to provide comparable educational benefits to a greater number of students in other areas. Similarly, gifts of computer hardware may encourage faculty and students to develop instructional software, thereby expediting the dissemination and incorporation of computer technology into higher education. The disadvantage of including such donations in the State-funded inventory is that the universities may come to rely excessively on one-time donations from manufacturers as part of the manufacturers' advertising, promotion, and tax-reduction strategies.

In actuality, donated equipment currently constitutes only a small portion of the University's and State University's total equipment inventory, since manufacturers prefer to give the institutions substantial price discounts rather than outright donations. Moreover, University and State University officials claim that many disincentives exist to using donations solely for the purpose of expanding their State inventory, such as scarce space and the inability to furnish compelling justification for old and costly-to-repair equipment. They contend that since donated equipment has generally not been part of the University's or State University's equipment inventory base, while meeting the instructional needs of the segments, its omission has resulted in an underestimation of their need for replacement funds. In response, the Legislative Analyst stated in his 1985-86 budget analysis (p. 1248):

> If donated equipment meets the University's need, it should be credited as an offset toward any gap between desired levels of equipments and current inventories. The counterpart to doing so, however, is that the IER [instructional equipment replacement] model should also depreciate the donation, because the need to replace equipment is independent of its original fund source.

For example, the University is requesting a $3.05 million augmentation to the $25.2 million currently provided for instructional equipment replacement. Of this augmentation, $1.737 million is related to the addition of donated equipment to the instructional equipment replacement base.

The Legislature directed both segments to report in October 1985 their respective policies for accepting donations and the criteria they currently use for determining what equipment donations will be added to the State-funded equipment inventory. The University's policy statement on gifts-in-kind is reproduced in Appendix B on page 21, and the State University's appears in Appendix C on pages 23-29.

2 *Budgeting for Instructional Equipment in New or Altered Facilities at California's Public Universities*

The University of California approach

The University of California estimates the cost of equipping capital facilities and documents its funding requests in two phases -- early planning, and funding justification.

The first phase occurs when a new capital project is proposed and a cost estimate is prepared. In this phase, the cost estimate is calculated on a dollar-per-square foot basis. Capital outlay funding can be requested both for built-in equipment that is permanently affixed to a building, such as laboratory benches, and movable equipment such as office furniture and custodial equipment needed to operate the facility. In addition, capital outlay funding requests can include funds to cover "miscellaneous costs" related to equipment procurement. These miscellaneous costs, which are estimated on the basis of 3 percent of the total costs of equipment to be purchased, include those associated with the relocation of existing equipment, consultant costs, and other special fees. (Appendix D on page 31 reproduces the University's policy guidelines for the initial request of State capital outlay funds to equip new or altered space.)

The second phase of the estimation and documentation process occurs when the University prepares an itemized equipment list and funding justification for the budget year in which the equipment procurement and installation will actually take place. This phase involves four key steps:

- First, the University prepares a detailed equipment list by (1) defining the specific program activities that will be conducted in each room of the facility, and (2) identifying both the *existing* equipment to be used and the *new* equipment to be purchased (a cost estimate is required only for the new equipment).
- Second, it reconciles the existing facility and equipment inventories with the space and equipment to be provided by the project.
- Third, it summarizes the proposed equipment list and funding request, which includes both the existing equipment retained for the project and the proposed new equipment purchases, by discipline and by type of equipment.
- Fourth and finally, it compares this summary to the equipment allowance initially derived by formula in the first phase and adds supplemental costs of custodial equipment and miscellaneous expenses in order to develop its total equipment funding request.

The California State University approach

The California State University approach to budgeting for instructional equipment in new or altered facilities, which is considerably similar to that used by the University, is based on two cost indexes -- the *Engineering News-Record* Construction Index and the Equipment Price Index -- both of which are set by the Department of Finance. Display 1 on the next page shows the application of the Cost Guide for the State University's 1986-87 capital outlay program, and its five-year capital improvement program for 1986-87 through 1990-91.

As Display 1 shows, the State University determines the cost of built-in equipment (Column 3) by reference to the gross square footage of the building unit involved. It budgets movable equipment (Column 4), on the other hand, on the basis of a cost factor per assignable square feet, and it adjusts this latter parameter by subtracting existing equipment that will be moved from the old to the new facility.

Policy issues under discussion

While there is general agreement that the approaches of the University and State University to budgeting for instructional equipment in new or altered buildings are sound, the Legislative Analyst has

DISPLAY 1 The California State University's Estimating Cost Guide for the Capital Outlay Program, 1986-87, and Five-Year Capital Improvement Program, 1986-77 Through 1990-91

1. Type of Project	2. Building unit cost per gross square foot	3. Built-in (Group I) equipment cost (% of Column 2)	4. Movable (Group II) equipment cost per assignable square foot	5. Building efficiency assignable gross
Administration	$ 96.00	3%	$12.70	65%
Art	92.00*	7	18.40	65
Bookstore	80.00	3	13.30	75
Business Administration	96.00*	5	16.90	65
Cafeteria	85.00	15	12.00	77
Classroom (General)	93.00*	5	5.60	65
College Union	***	***	15.50	72
Corporation Yard (Shops)	47.00	4	4.30	90
Education	99.00*	8	12.30	65
Engineering	117.00*	12	57.00	75
Faculty Office	91.00*	3	1.50	60
Health Clinic	96.00*	10	25.00†	60
Home Economics	96.00*	15	14.10	65
Humanities	93.00*	5	12.60	65
Industrial Arts	105.00*	8	38.00	75
Language Arts	102.00*	9	27.70	65
Library	77.00	2	15.80	70
Music	110.00*	4	32.60	60
Parking Structure / Car	4,800.00**	-	-	-
Parking Surface / Car	860.00**	-	-	-
Physical Education	84.00	5	5.80	75
Psychology	118.00*	10	30.80	62
Science	122.00*	20	45.60	62
Site Work				
Paving--Concrete Sidewalk	3.40*	-	-	-
Paving--Asphaltic Concrete	1.50**	-	-	-
Landscaping Around Building	2.20**	-	-	-
Temporary Landscaping	.70**	-	-	-
Social Science	93.00*	5	12.60	65
Student Housing				
Apartments	46.00	7	6.20	85 ††
Dormitories	62.00	1.5	11.20	65†††
Theatre Arts	104.00*	14	17.30	70
Little Theatre	132.00*	-	40.50	70
Warehouse	32.00	1	1.30	95

* The building unit cost shall be calculated on a cost per function basis when preparing budget estimates. Use the following method to calculate the building unit cost based upon function.

1. The gross area for the respective space usage is derived by dividing the assignable area by function by the percentage of efficiency found in column 5.
2. The composite building unit cost of a proposed facility shall be computed by multiplying each portion of the gross building area devoted to laboratories including service areas, classrooms, and offices by the respective cost figures found in column 2. Then divide the sum of the products by the total calculated gross area.

** Unit cost is given for the construction level.

*** Individual College Union costs differ greatly because of the varied functions provided in this type facility, therefore a building unit cost is not listed.

† Includes x-ray equipment.

†† Bathrooms in student apartments are included in assignable area.

††† Bathrooms in student dormitories are not included in assignable area.

Source: Office of the Chancellor, The California State University.

raised two policy issues regarding them. The first concerns the extent to which the University and State University recognize *used* instructional equipment as usable in new or altered facilities, because of their apparent lack of clearly defined criteria for recognizing usable equipment that should be moved to these new structures.

The second issue, which has engendered some debate, involves the possibility of unnecessary construction of new buildings or alterations of existing buildings for the primary purpose of obtaining new instructional equipment. Officials of the University and State University contest the existence of this issue, at least as it has been articulated thus far. They believe that substantial evidence exists to show that such "bootlegging" of instructional equipment is not only contrary to their explicit policies and institutional integrity but is also literally impossible to do, since detailed justification for each equipment item is *required* in any capital program funding request. For example, according to the University's policy guidelines reproduced in Appendix D:

A. Requests for funding movable equipment as a part of the capital outlay budget require detailed justification. The need and appropriateness for State funding of equipment *is not justified by formula*, but rather by itemization and supporting information. It is essential that a funding request for movable equipment for a project involving remodeling of existing space be justified in an especially compelling manner, on the basis of the need to make the facility operable for changes in function or program.

B. Office furniture is not funded routinely through the capital outlay budget. Requests for office furniture can be justified only on the basis of need to provide initial complements of equipment for additional or *new* FTEs to be housed in a new building, or for new FTEs involved in secondary or tertiary moves. Such requests require convincing justification that initial complements of office furniture for newly approved FTEs have not been provided otherwise through the support budget. General office furniture (desks, chairs, tables, credenzas, bookcases, file cabinets) should be relocated by departments from the old to the new location.

3 *Budgeting for Instructional Equipment in the California Community Colleges*

Budgeting for the replacement of existing instructional equipment

Currently, no systematic process exists for deriving an annual statewide estimate of the need by California's 106 Community Colleges to replace instructional equipment. District estimates are derived by varied methodologies, just as the share of total operating budget funds allocated to equipment remains a district decision. In the absence of uniformly derived data from all 70 districts on their needed instructional equipment, it is difficult to assess the historical relation between their need for equipment replacement and the funds "available."

Nonetheless, two recent studies conducted by the Chancellor's Office of the Community Colleges have served to document the extent of their need for new instructional equipment. One study surveyed the districts' need to replace obsolete occupational program equipment as well as their need to upgrade and expand the dimensions of their many occupational programs to meet the needs of industry. According to that study, $120,256,946 is required to eliminate their current backlog of needed occupational program equipment, including installation and maintenance costs, and an additional $18 to $20 million would be needed to annually thereafter replace obsolete equipment on an ongoing basis (Chancellor's Office, 1985a).

The second study was more comprehensive: It surveyed all Community College district business managers regarding their districts' total equipment status and needs, both instructional and noninstructional. Based on district inventories, appraisals, and fiscal audits, it established the current value of all this equipment at $790 million, with $500 million, or 63 percent, of this being the value of instructional equipment. This survey also showed that, over three-year cycles, the following cost estimates could be derived (Chancellor's Office, 1985b):

- For replacing and upgrading existing instructional equipment:

  $36,425,461 over the next three years;

  $42,719,131 from the fourth through the sixth year; and

  $49,506,753 from the seventh through the ninth year.

- For maintaining and repairing existing instructional equipment:

  $78,943,118 over the next three years;

  $75,142,248 from the fourth through the sixth year; and

  $94,397,977 from the seventh through the ninth year.

The 1985-86 Budget Act authorized a $26.1 million one-time allocation to Community College districts for the purchase of instructional equipment, with the money allocated to the districts by the Chancellor on the basis of average daily attendance. The guidelines for instructional equipment purchases from this State allocation are reproduced in Appendix E on page 33. These guidelines seek to standardize the use and accountability of the money by the districts as well as satisfy the State as to its use and future needs.

Community College officials argue that the $26.1 million appropriation falls far short of the documented need. Thus, the Chancellor's Office is currently designing a survey that will permit the districts to (1) explain how their share of the $26.1 million was spent, and (2) make a compelling case for additional funding. Responses to the survey are expected by early 1986.

Budgeting for instructional equipment in capital projects

Each Community College district is required to develop a continuing five-year plan for capital construction, and in order to coordinate statewide plan-

ning, the Chancellor's Office annually reviews and evaluates these plans.

To request funding for construction, including instructional equipment, a district must next prepare "preliminary plans" that detail the scope of work and include cost estimates for all parts of the project, such as utility connections, site development and improvement, building construction, and furniture and movable equipment. It submits this total set of plans, as the "Preliminary Plan Package," to the Chancellor's Office by September 15, and the Chancellor's Office staff reviews and evaluates it to determine costs, efficiencies, utilization, and, subsequently, the amount of federal, State, and district cost shares. The Preliminary Plan Package establishes the final scope of the project as to budget, assignable square footage, gross area, equipment to be purchased relating to the scope and intent of program, and other parameters. The Department of Finance then reviews the package and the proposed State and district shares, and, if it approves them, it includes the State share in the subsequent capital outlay program of the Governor's Budget. The construction project must then await legislative approval.

The process for estimating the funding needs for both built-in and movable instructional equipment occurs as the Preliminary Plan Package is developed, but the process differs for the two types of equipment. Budgeting for built-in instructional equipment appears to be a nonprescriptive activity carried out early in the planning phase, with instructors and department heads typically specifying the built-in equipment that they need for their educational program. Their specifications are then reviewed by district officials in preparation for architectural plans and detailed cost estimates of the construction project. Few explicit criteria are used either at the district level or statewide level for estimating the funding needs for this equipment.

By contrast, the budgeting process for movable instructional equipment is clearly defined and empirical. The Department of Finance requires a formula-derived "calculation of estimated equipment cost" in the Preliminary Plan Package, and this calculation is derived using a "cost per assignable-square-foot" index for each type of space, as shown in Display 2 on the next page.

The two recent surveys conducted by the Chancellor's Office served to derive one-time estimates of the Community Colleges' statewide need for new instructional equipment, but these estimates are based largely on district perceptions of the need for new equipment, and the assumption that, on average, the State's total Community College inventory of instructional equipment becomes obsolete every ten years. A more empirical, accurate, and uniform methodology for estimating their need for instructional equipment replacement seems necessary if the estimates are to have greater credibility with the Legislature and Governor.

A formula-derived funding allowance for built-in equipment, such as that used by the four-year segments, would have several advantages: (1) Community College leaders could establish criteria for assigning priorities among competing programs and campuses, whereas monies are now allocated on the basis of who provides the most compelling justification for funding; (2) accountability for the use of funds could be improved; and (3) a safeguard would be created against over-funding built-in equipment.

DISPLAY 2 *California Community Colleges Estimating Cost Guide for Group II Equipment for 1986-87 Capital Outlay Projects*

Type of space	Index
Administration	$ 14.25
Aero Tech	37.25
Air Conditioning	37.25
Art	19.00
Audio-Visual Services (varies)	32.00
Bookstore	14.50
Building Trades	
Business Administration	
Accounting	8.50
Business Machines Lab	52.50
Marketing	8.50
Office Practice	45.25
Typing and Shorthand	45.25
Word Processing	131.00
Cafeteria (Food Service)	13.00
Child Development	21.75
Classrooms (general)	8.50
College Union	16.25
Communications Lab	21.00
Data Processing (varies)	57.50 to 105.00
Dental Assisting	38.50
Dental Technology	27.50
Drafting Tech	19.00
Drama and Theater	22.00
Electrical Tech	37.25 to 52.50
Electronic Tech (varies)	37.75
Engineering (general)	37.75
Engineering Tech	37.25
English Labs	14.25
Faculty Offices	12.75
Graphic Arts	23.50
Health Clinic	27.50
Health Services	10.25
Home Economics	21.75
Industrial Tech	37.25
Journalism	23.75
Language Lab	29.50
Library (general) (no AV*)	16.75
Library (study area) (no AV*)	16.25
Life Sciences	
Agriculture	16.75
Animal Sciences	16.75
Biological Sciences	41.50
Forestry	34.00
Horticulture	27.50
Plant Science	27.50
Machine Shop (varies)	89.00 to 131.00
Maintenance Shops (includes all big equipment) (varies)	36.75
Mathematics Lab	48.25
Mechanical, Auto	30.75
Metallurgical Tech	37.25
Metal Trades	37.25
Music Lab	26.25
Nursing	21.00
Photography	51.00
Physical Education (without lockers)	6.30
Physical Sciences	
Chemistry	46.75
Geology	14.75
Physics	50.00
Police Science	21.00
Printing Tech	37.25
Psychology Lab	31.50
Social Sciences (general)	13.75
Speech	27.00
Textile Tech	37.25
TV and Radio Labs (varies)	115.00 to 157.00
Warehouses (excluding all big equipment)	1.50
Welding	37.25

* Varies: use an equipment list.

Note: Any information which can substantiate the changing of the cost per ASF of a particular space, as listed above, will be greatly appreciated.

Source: Chancellor's Office, California Community Colleges.

4 *Support Versus Capital Outlay Funds to Budget Instructional Equipment*

SUPPLEMENTAL Language to the 1985-86 Budget Act directed the Commission to "recommend whether the support or capital outlay portions of the State's budget are appropriate for the various types of equipment funds." Based on the evidence gathered for this report, the Commission concludes that the use of *support* budget appropriations to fund the *replacement* of instructional equipment in existing facilities and the use of *capital outlay* funds to finance equipment in *new* or *altered* facilities is clearly appropriate. This practice is followed consistently throughout the nation, and California's methods for doing so at the University and State University are widely considered to be among the best in the country.

Two issues involving the use of support funds warrant attention, however, and continuing discussions between staff of the Office of the Legislative Analyst and officials of the segments may be required to resolve these issues.

- One is limitations on the use of support funds to purchase new instructional equipment apart from the regular instructional equipment replacement process. Currently, the University and State University are allowed to allocate a small portion of support funds under the Institutional Support category for the purchase of new instructional equipment, but officials of both segments contend that this portion is too limited and that more flexibility is needed in the support budget for this purpose.

- The second issue involves the use of support and extramural funds to finance the replacement of donated equipment that is added to the instructional equipment replacement inventory. As noted in Chapter One above, this issue involves the role of funding from extramural sources.

The role of non-instructional equipment replacement and extramural funds

Both the University and State University have available other State and extramural funds that may be used to purchase instructional equipment.

As noted above, currently the University and State University are allowed to allocate a small portion of support funds under the Institutional Support category for the purchase of new instructional equipment, although officials of both segments stress the need for an increase in this portion. In 1982-83, the University and State University added $9.7 million and $7.3 million, respectively, to their instructional equipment inventory from non-instructional equipment replacement State funds. In that year, the University's intructional equipment replacement purchases from extramural sources totaled $3.8 million, and the State University's totaled $4.4 million. However, both non-instructional equipment replacement State funds and extramural funds were budgeted to meet new, rather than replacement, needs.

Legislative concerns over the use of these funds involve (1) the substantial flexibility of the University and State University as to how much to spend on equipment purchases, and (2) the disincentives for the segments to seek extramural funds caused by the large increase in State support for instructional equipment replacement beginning in 1985. This is clear from the following statement of the Legislative Analyst's *Analysis of the Budget Bill for the Fiscal Year July 1, 1984 to June 30, 1985* (p. 1676):

> Neither the UC nor the CSU are required to spend a specific sum on equipment purchases. With the substantial increase in state support for IER [instructional equipment replacement] proposed for 1984-85, it is possible that individual campuses within UC or CSU might redirect the non-IER state

funds to other budget items. It is also possible that extramural funds will not be sought as aggressively as in past years.

The role of Lottery funds

To date,Lottery funds have not been designated for use in the instructional equipment replacement program. Yet, for the 1985-86 budget year the University budgeted $6,000,000 from Lottery funds for instructional computing to increase student access to computers and maintain the quality of instructional programs. Budgeting for instructional use of computers has been a separate process from budgeting for instructional equipment replacement . However, as noted in the University's 1986-87 budget statement (p. 40):

> With the movement away from large mainframe computers and toward decentralized departmental instructional microcomputing laboratories, the prohibition against using instructional equipment replacement funds to purchase computers, and the exclusion of computers from the instructional equipment inventory, is no longer practical or desirable.

As a result, in the University's future requests, minicomputers and microcomputers used for instructional purposes will be added to the instructional equipment inventory and funds to replace them as they depreciate will be generated through the instructional equipment replacement program. A key issue here is whether Lottery funds will "follow" the computers as they are incorporated into the instructional equipment inventory, but the University and State University are not precluded from using Lottery funds to replace instructional equipment.

The Office of the Legislative Analyst has requested the University to distinguish the instructional equipment replacement inventory associated with computers from the non-computer instructional equipment replacement inventory. This will make it possible to monitor the impact on State obligations caused by the purchase, donation, and depreciation of computers.

5 *Conclusions and Recommendations*

Conclusions

1. The University and State University are currently using an instructional equipment replacement model to estimate their need to replace instructional equipment. Overall, this model, which uses estimated equipment *depreciation* to schedule an orderly replacement of equipment, has resulted in good budgetary practices for both segments. The Community Colleges, on the other hand, do not have a systematic methodology for deriving an annual statewide estimate of their need to replace instructional equipment. Because district estimates are derived using varied methodologies, it is difficult to assess the extent to which the instructional equipment replacement needs in the Community College system have been met.

2. Concern about the inclusion of equipment donations to the State-funded equipment inventory has led the Legislature to direct the University and State University to report their respective policies for accepting donations and the criteria currently used for determining those equipment donations to be added to the State-funded equipment inventory. The two reports are reproduced in Appendices B and C.

3. Budgeting for instructional equipment in new or altered facilities at California's public universities and Community Colleges, which requires considerable planning and funding justification, is done in a sound manner. Yet, regarding the University and State University, the Legislature has raised its concern about (1) the apparent lack of clearly defined criteria for recognizing "usable" equipment that should be moved to new structures, and (2) the possibility of unnecessary construction of new buildings or alterations of existing buildings for the primary purpose of obtaining new instructional equipment. Concerning the Community Colleges, few explicit criteria are used either at the district level or statewide level for estimating the funding needs for built-in instructional equipment in capital outlay projects.

4. In California higher education, the use of "support" budget appropriations to fund the "replacement" of instructional equipment in existing facilities and the use of "capital outlay" funds to finance equipment in "new" or "altered" facilities is clearly appropriate. This practice is followed consistently nationwide, and the methods of the University and State University for doing so are sound.

5. The University and State University have used non-instructional equipment replacement State funds as well as extramural funds to purchase instructional equipment. These funds, however, have been budgeted to meet new, rather than replacement, needs.

Recommendations

1. It is in the State's best interest that the future effectiveness of the instructional equipment replacement model, as used currently by the University and State University, be monitored. Otherwise, major problems which might be inherent in the model will not be detected in a timely fashion. For example, it would be useful for the Legislature to know (1) if the institutions' voluntary use of instructional equipment that the model has declared obsolete and for which State funds are provided has resulted in major overestimations of backlog funding needs, (2) when there is no need to replace obsolete equipment -- primarily because the very purpose of that equipment is itself obsolete , and (3) if the model is insensitive to special needs of the institutions, such as those caused by major changes in enrollments or instructional processes.

2. The Chancellor's Office of the California Community Colleges should investigate the feasibility of implementing a model to estimate the annual statewide need to replace instructional equipment. One option would be adopt the model currently used by the University and State University, or one similar but tailored to

the specific needs of the Community Colleges. Other options would be to develop a new model or one based on experiences elsewhere in the country. Regardless of the option chosen, it appears that the Community Colleges need an empirical approach to estimating their annual statewide need to replace instructional equipment. Uniformly derived data from all 70 districts on their needed instructional equipment and the allocation of resources on the basis of a systematic and scientific process may result in a more equitable treatment of the individual institutions, and would enhance their credibility with State officials.

3. The Legislature should obtain an annual report from each segment showing what portion of the State-funded instructional equipment inventory is related to the addition of donated equipment to the inventory. The size of this portion may have major public policy implications. That is, while a portion equaling 2 percent of the total inventory is consistent with past practices and is negligible, a portion equaling from 10 to 50 percent would raise serious questions about the commitment of State funds. The reports addressed herein, therefore, should provide the Legislature with a clear presentation of how equipment donations are handled by the segments. For the same reasons noted above, the report should indicate what portion of the inventory is funded from extramural sources, so as to ensure "maintenance of effort" by the institutions to obtain such funds.

4. Future capital outlay funding requests from the universities as well as the Community Colleges should include a clearly defined criteria for recognizing *used* equipment as usable in new or altered facilities.

5. Regarding capital outlay projects, the Chancellor's Office of the California Community Colleges should consider using a formula-derived funding allowance for built-in equipment, such as that used by the four-year segments. This would have several advantages: (1) Community College leaders could establish criteria for assigning priorities among competing programs and campuses; (2) accountability for the use of funds could be improved; and (3) a safeguard would be created against over-funding built-in equipment.

APPENDIX A
Equipment Price Indices

NOTE: The following material is reproduced from "Description of the Current Procedures for Estimating the University's Annual Instructional Equipment Needs" of the University of California.

Use of the schedules

These price index schedules enable the user to adjust the acquisition value of equipment purchased during a specific year for the effect of inflation. Present value is determined in the following manner:

1. Specify a year and acquisition value of equipment purchased during that year.

2. Construct a "multiplier" with which to multiply the acquisition value of equipment purchased during the specified year.

   A. Select a price index schedule which most closely approximates the type of equipment purchased during the specified year.

   B. Using that price index schedule, construct a multiplier by dividing the price index factor which corresponds to the current year by the price index factor which corresponds to the specified year. The formula for the multiplier is multiplier = $\frac{\text{current year factor}}{\text{specified year factor}}$

3. Multiply the acquisition value of equipment purchased during the specified year by the multiplier. The product is the present value of equipment purchased during the specified year.

Example

The user desires to adjust an acquisition value of $1,000 of electrical equipment acquired during 1954 for the effect of inflation.

1. The acquisition value ($1,000), year of acquisition (1954), and price index schedule (Schedule N, Electrical Equipment and Machinery) are specified.

2. The price index factor for the current year (137.5) is divided by the price index factor for the specified year (100.0). The result (1.375) is the multiplier.

3. The acquisition value of equipment purchased during the specified year ($1,000) is multiplied by the multiplier. The product ($1,375) is the present value of $1,000 of electrical equipment purchased during 1954.

APPENDIX B
University of California Policy on Gifts-in-Kind

NOTE: The following statement on "Gifts-in-Kind" was adopted by the University of California in March 1982. It is reproduced from Attachment B of the University's "Annual Instructional Equipment Replacement Program Report" of October 1985.

Legal transfer

In order to consummate a fully effective legal transfer of a gift-in-kind for tax purposes, the property must be placed under the control or in the physical possession of a duly authorized representative of the University other than the donor.

Acceptance

Units within the University that are to have custody of gifts-in-kind should be consulted before such gifts are accepted, and proposals should be reviewed with special care to ensure that acceptance will not involve financial commitments in excess of funds available, or other obligations disproportionate to the usefulness of the gift. Consideration should be given to the cost and feasibility of maintenance, cataloging, crating, delivery, insurance, or display, as well as to space requirement for exhibition or storage. The University should decline gifts-in-kind that cannot be used, housed, or displayed appropriately and in accordance with any conditions specified by the donor.

The terms of gifts of commercial materials should be reviewed carefully to assure their conformity with the pertinent section of University Regulation No. 4, as follows: "University laboratories, bureaus and facilities are not to be used for tests, studies, or investigations of a purely commercial character, such as mineral assays, determination of properties of materials, the performance of efficiencies of machines, analyses of soils, water, insecticides, fertilizers, feeds, fuels, and other materials, statistical calculations, etc., except when it is shown conclusively that satisfactory facilities for such services do not exist elsewhere."

Valuation

Most donors are interested in securing an income tax deduction for their gifts to the University. In order to substantiate the amount of a claimed deduction for gifts-in-kind, the donor may wish to secure a professional appraisal. Because the appraisal is used solely for the benefit of the donor, the University deems the securing of such an appraisal to be the donor's personal responsibility. However, if an appraisal is desired but the donor does not wish to incur its cost (which is also tax deductible) in addition to making the gift, or if the donor is not financially able to do so, it would be appropriate for the University to *reimburse the donor* for the cost of an appraisal, assuming funds for such purposes are available. Direct involvement of the University in securing appraisals could result in their accuracy and objectivity being challenged by the Internal Revenue Service. Thus it is in the donor's best interest that the University neither provide directly nor be responsible for securing the services of an appraiser. In addition, correspondence with the donor shall not indicate the value of a gift-in-kind in any way that could be construed as endorsement of that value for tax purposes.

For internal administrative purposes *only*, it is appropriate to have a qualified member of the University staff estimate a gift's value. Such an estimate should approximate the market value, and is a useful guide in establishing inventory control and determining appropriate reporting, handling, custody, and insurance.

Reporting

Gift-in-kind shall be documented on a UDEV 100, with the estimated value shown in the appropriate box.

APPENDIX C

California State University Preliminary Report on Instructional Equipment Replacement

THE CALIFORNIA STATE UNIVERSITY

BAKERSFIELD · CHICO · DOMINGUEZ HILLS · FRESNO · FULLERTON · HAYWARD · HUMBOLDT
POMONA · SACRAMENTO · SAN BERNARDINO · SAN DIEGO · SAN FRANCISCO · SAN JOSE
LONG BEACH · LOS ANGELES · NORTHRIDGE
SAN LUIS OBISPO · SONOMA · STANISLAUS

OFFICE OF THE CHANCELLOR
(213) 590-5501

October 31, 1985

The Honorable Walter Stiern
Chair, Joint Legislative Budget Committee
State Capitol, Room 306
Sacramento, California 95814

Dear Senator Stiern:

The Supplemental Report of the 1984 Budget Act, 1984-85 in Item 6610-001-001, number 1, stated:

1. Instructional Equipment Funding Model. California State University (CSU) is directed to prepare an annual report on instructional equipment replacement (IER) needs that identifies (1) the yearly acquisition cost and price-adjusted value of its instructional equipment inventory, (2) the yearly cumulative percentage value of its inventories, and (3) the estimated depreciation loss that will occur during the budget year. The latter estimate will be the basis for the CSU's IER budget request for the following budget year. The format of this report shall be the same for University of California (UC) and CSU. The report format shall be developed by the UC, CSU, the Department of Finance, and the Legislative Analyst's office. These reports shall be submitted annually to the Joint Legislative Budget Committee (JLBC) and the legislative fiscal committees by October 1.

   It is further the intent of the Legislature that CSU continue its current efforts to fund instructional equipment purchases from its base budget appropriations and extramural sources. To ensure a maintenance of the CSU's current effort, CSU shall include in its first annual IER report information showing the amount of instructional equipment purchases funded by these sources in the last three fiscal years (1981-82, 1982-83, and 1983-84). CSU is directed to maintain in 1984-85 (1) the average level of expenditures for instructional equipment made with non-IER state funds during the past three years and (2) to the maximum extent possible, the average value of equipment added to the inventory using extramural funding sources during this period. In future years, this maintenance of effort provision shall continue at a price-adjusted level.

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The Supplemental Report of the 1985 Budget Act in Item 6610-001-001, number 3, further stated:

3. Instructional Equipment. It is the intent of the Legislature that the CSU submit with its 1985/86 Instructional Equipment Replacement (IER) report (1) the criteria and procedures used systemwide in order to determine whether CSU should accept donated instructional equipment and (2) an estimate of the annual depreciation of acceptable donations.

This letter constitutes our preliminary response to these requests. Additional information on system and campus policies regarding the acceptance of donated equipment and data on instructional equipment acquisition from extramural sources is currently being compiled and will be available by December 1, 1985.

We have implemented procedures that allow us to estimate the annual depreciation loss associated with the CSU instructional equipment. Our estimation and price-adjustment methods are consistent with those employed by the University of California. Attachment 1 shows the reported yearly acquisition cost, the price-adjusted value, and the cumulative percentage value of the CSU instructional equipment inventory. Attachment 2 displays the estimated annual depreciation associated with State-funded instructional equipment and with instructional equipment obtained from extramural sources.

We note that basic policy governing the acceptance of gifts is codified in Section 89720 of the California Education Code and in Sections 42300 and 42301 of Title 5 of the California Administrative Code (reproduced in Attachment 3).

As indicated above, we have requested from the campuses the information necessary to complete the report and shall assemble and forward it by December 1, 1985. Please feel free to refer questions to Dr. Anthony J. Hoye of my staff (ATSS 8-635-5527).

Sincerely,

Ann Reynolds

W. Ann Reynolds
Chancellor

ATTACHMENT 1

THE CALIFORNIA STATE UNIVERSITY
INSTRUCTIONAL EQUIPMENT INVENTORY REPORT
OCTOBER 1985

ALL INSTRUCTIONAL EQUIPMENT

YEAR	ACQUISITION VALUE	PRICE-WEIGHTED ACQUISITION VALUE	CUMULATIVE PERCENTAGE
1965 or earlier	25474595	76095926	23.4%
1966	3555839	10170587	26.5
1967	3781099	10531423	29.7
1968	5426344	14552322	34.2
1969	4564235	11895538	37.8
1970	4423146	11023914	41.2
1971	3458168	8299170	43.8
1972	5459146	12780638	47.7
1973	6114015	13878093	51.9
1974	8207689	16221587	56.9
1975	8538385	14811787	61.5
1976	9359102	15397120	66.2
1977	8506275	13248663	70.3
1978	9836520	14206002	74.6
1979	9471912	12633108	78.5
1980	10182585	12056322	82.2
1981	12606379	13654351	86.4
1982	13925372	14385157	90.8
1983	10875515	11118295	94.2
1984	18810383	18810383	100.0
TOTAL	182576704	325770385	

ATTACHMENT 2

ESTIMATED ANNUAL DEPRECIATION OF INSTRUCTIONAL EQUIPMENT

THE CALIFORNIA STATE UNIVERSITY

October, 1985

All instructional equipment:	$ 13,718,134
State-funded instructional equipment	($ 11,537,295)
Instructional equipment from extramural sources	($ 2,180,839)

Attachment 3

State of California

Education Code

§ 89720. Gifts; reports

The trustees may accept on behalf of the state any gift, bequest, devise, or donation of real or personal property whenever such gift and the terms and conditions thereof will aid in carrying out the primary functions of the state colleges as specified in Section 66608. Neither Section 11005 of the Government Code nor any other provision of law requiring approval by a state officer of gifts, bequests, devises, or donations shall apply to such gifts, bequests, devises, or donations. Such gifts, bequests, devises, or donations, and the disposition thereof, shall be annually reported to the California Postsecondary Education Commission, the Joint Legislative Budget Committee and the Department of Finance by January 5 of each year.

(Stats.1976, c. 1010, § 2, operative April 30, 1977.)

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Article 8. Gifts, Donations, and Bequests to California State University

42300. Determination of Beneficial Nature of Gift and Acceptance.

(a) The Board of Trustees, pursuant to Education Code Section 89720 has determined that the following gifts, donations, or bequests to the California State University will aid in carrying out the primary functions of the California State University as specified in Education Code Section 66608, regardless of the date of proffer and regardless of the amount, if money, and regardless of the kind, if personal property other than money:

(1) Unconditional gifts of money.

(2) Gifts of money granted upon a condition that it be expended for the purchase of property described in subparagraph (3) hereof or for personal services not to exceed $500.

(3) Personal property other than an automobile, truck, or bus when all of the following facts pertain to the gift:

(A) The property is not subject to any trust, condition, reservation, or restriction of any kind.

(B) The property will not require more than 100 square feet of floor space for housing or the construction of specialized facilities.

(C) The property will not require amounts of state funds for operation, repair, or maintenance that are unreasonable in relation to the item received.

(D) The president having jurisdiction of the campus to which the gift, donation, or bequest is made transmits to the Board of Trustees two copies of the notice of acceptance required by Section 42301.

(b) The Board of Trustees, therefore, pursuant to Education Code Section 89720, accepts on behalf of, and in the name of the State, any gift, donation or bequest described in subsection (a) which may hereafter be proffered.

(c) The Chancellor may refer any other gift, donation or bequest which may hereafter be proffered, to the Board of Trustees for acceptance; or may, on behalf of the Board of Trustees, accept, on behalf of, and in the name of the State, any such other gift, donation or bequest upon a determination that the same will aid in carrying out the primary functions of the California State University as specified in Education Code Section 66608. The Chancellor shall report to the Board of Trustees all gifts accepted by the Chancellor, on behalf of the Board of Trustees, pursuant to this subdivision.

(d) Each campus shall report to the Board of Trustees all gifts received pursuant to this section.

NOTE: Authority cited: Sections 66600, 89030 and 89035, Education Code. Reference: Section 89720, Education Code.

HISTORY:

1. Amendment filed 6-30-65; effective thirtieth day thereafter (Register 65, No. 11).
2. Amendment filed 8-22-72; effective thirtieth day thereafter (Register 72, No. 35).
3. Amendment of section and NOTE filed 4-29-77; effective thirtieth day thereafter (Register 77, No. 18).
4. Amendment filed 9-20-82; effective thirtieth day thereafter (Register 82, No. 39).

42301. Notice of Acceptance and Declaration of Benefit.

(a) The president having jurisdiction over a campus which is the donee of a gift, donation, or bequest specified in Section 42300, shall deliver to the donor as soon as possible after proffer thereof notice of the acceptance by the Trustees of the gift. Such notice shall be in substantially the following form and shall be signed by the president of the campus:

Notice of Acceptance of Gift, Donation, or Bequest and Declaration of Benefit

To _____
(Donor)

I am pleased to notify you that the Board of Trustees of the California State University and Colleges, by the terms of Section 42300 of Title 5 of the California Administrative Code, has accepted on behalf of, and in the name of, the State the following gifts, donations, or bequests which you made on or about _____ to the _____

_____
(List of gifts, donations, or bequests)

_____

I hereby declare that the aforesaid property is capable of aiding and assisting the campus in carrying out the purposes and functions assigned it by law. _____
President of _____

Dated _____

(b) In cases where a gift, donation or bequest is accepted other than for use at a particular campus, the Chancellor shall issue an appropriate Notice of Acceptance and Declaration of Benefit.

NOTE: Authority cited: Sections 66600, 89030 and 89035, Education Code. Reference: Section 89720, Education Code.

HISTORY:

1. Amendment filed 6-30-65; effective thirtieth day thereafter (Register 65, No. 11).
2. Amendment filed 8-22-72; effective thirtieth day thereafter (Register 72, No. 35).
3. Amendment of NOTE filed 9-20-82; effective thirtieth day thereafter (Register 82, No. 39).

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APPENDIX D

University of California Policy Guidelines for Requesting State Capital Outlay Funds to Equip New or Altered Space

NOTE: The following material is reproduced from pages 6-7 of *Instructions for Budgeting Equipment: Capital Improvement Program*. University of California, 1985.

A. Requests for funding movable equipment as a part of the capital outlay budget require detailed justification. The need and appropriateness for State funding of equipment *is not justified by formula*, but rather by itemization and supporting information. It is essential that a funding request for movable equipment for a project involving remodeling of existing space be justified in an especially compelling manner, on the basis of the need to make the facility operable for changes in function or program.

B. Office furniture is not funded routinely through the capital outlay budget. Requests for office furniture can be justified only on the basis of need to provide initial complements of equipment for additional or *new* FTEs to be housed in a new building, or for new FTEs involved in secondary or tertiary moves. Such requests require convincing justification that initial complements of office furniture for newly approved FTEs have not been provided otherwise through the support budget. General office furniture (desks, chairs, tables, credenzas, bookcases, file cabinets) should be relocated by departments from the old to the new location.

C. Existing instructional and research equipment in departmental laboratories and other facilities is considered to be in operable condition. Funds to repair, restore, or replace equipment are provided annually in departmental support budgets and in an annual State appropriation of operating funds for "Instructional Equipment Replacement" and will not normally be provided from capital equipment appropriations. If, however, there is an especially pressing need to replace an obsolete or nonusable item in conjunction with a move, a request for funding through the capital outlay budget will be considered if accompanied by a compelling justification.

D. State funds for equipping new space are requested for the fiscal year in which the funds can actually be obligated and/or expended. Construction completion dates are sometimes subject to uncertainties which make precise timing of equipment purchases difficult and, in addition, some equipment items require a long lead time for ordering. For these reasons, equipment procurement can be scheduled to overlap with the final months of the construction phase.

APPENDIX E

California Community College Guidelines for Instructional Equipment Purchases from State Allocation

NOTE: The following material is reproduced from "California Community Colleges Guidelines for Instructional Equipment Purchases from State Allocation" of the Chancellor's Office, California Community Colleges.

The 1985 Budget Act (SB 150, Chapter 111) contains in item 6870-101-036, provision 1: $25 million and item 6870-101-146, provision 2: $1.1 million (as reduced by the Governor) for a total of $26.1 million for one-time allocation to Community College districts for purchases of instructional equipment. This money is to be allocated to districts by the Chancellor, California Community Colleges, on a per ADA basis.

The following guidelines are for the purpose of standardizing the accountability and use of the money by districts and to satisfy the State as to use and further needs.

Definitions

(a) "ADA" shall mean the 1985-86 base ADA (1984-85 Funded Annual Average Daily Attendance) for State funding purposes.

(b) "Allocation Rate" shall mean the rate derived by dividing the total State money appropriated for one-time purchases of instructional equipment by the total statewide base ADA.

(c) "Change Dimensions" shall mean the new equipment purchased has changed the emphasis or objective of the instructional program in some way (bring a program to state-of-the-art quality).

(d) "Equipment" shall mean tangible property (excluding land and/or buildings and improvements thereon, library books, licensed motor vehicles and, general furniture, i.e., student desks chairs, etc.) of a more or less permanent nature which cannot be easily lost, stolen, or destroyed and that has material value. (Furniture and computer software which are an integral and necessary component for the use of other specific instructional equipment may be included.)

(e) "Expansion" shall mean the new equipment purchased makes it possible to serve additional students in the instructional program.

(f) "Instructional" shall mean equipment purchased for in-class instructional and/or Learning Resource Center activities involving presentations, and/or demonstrations as well as student use to enhance learning and skills development.

(g) "Purchase" shall mean acquisition of equipment through outright purchase or lease-purchase (contractual agreements which are termed "leases," "but which in substance and governing board intent amount to purchase contracts"). Only legal obligations for equipment received on or after July 1, 1985, shall qualify. Where the equipment purchased is not exclusively for class instructional activities, the cost must be prorated, with applicable cost to instructional activities adequately documented and justified. Where the equipment purchased is funded from more than one source, the cost must be prorated.

(h) "Replacement" shall mean the equipment purchased has replaced old similar equipment but does not upgrade the instructional program, expand it to serve additional students, or change its emphasis.

(i) "Upgrade" shall mean the equipment purchased is more modern or up-to-date than equipment formerly being used, but does not expand the instructional program or change its emphasis.

Allocation

Districts shall be allocated State funds by the Chancellor based on their ADA multiplied by the allocation rate. Payment shall be made in two installments,

the first being August and the second being December.

Accountability

State funds allocated for the purchases of instructional equipment shall be deposited into a separate account in the district's General Fund, Part B-Restricted. This revenue shall be separately accounted for and expended only for instructional equipment. The revenue shall be recorded as State Revenue, Categorical Program Allowances (Controlling Account 8650, subordinate classification Other Categorical Program Allowances: Instructional Equipment). The disbursement of this money shall be recorded in accordance with the California Community Colleges Budget and Accounting Manuals, Classification of Expenditures by Activity, Instructional Activity Codes 0100 through 4900 and Administrative and Support Activity Code 6100, subsidiary activity categories: "Learning Center" and "Media," and Classification of Expenditures by Object, Capital Outlay, subordinate classification: Equipment (Controlling Account 6400).

The proceeds from any sale or lease of equipment originally purchased within a five year period with State instructional equipment moneys shall be deposited into the separate account and available only for purchases of instructional equipment.

Any balance in the account shall be carried over to the next fiscal year and continues to be restricted for purchases of instructional equipment.

Report

Districts shall report by February 1, 1986 on forms as prescribed by the Chancellor's Office on the actual and planned disbursements for purchases of instructional equipment. 1985-86 actual and planned disbursement and cost of 1986-87 instructional equipment needs shall be reported and aggregated by the Budget and Accounting Manuals' Classification of Expenditures–Activity and–amounts–identified for most closely meeting the definition of "Replacement," "Upgrade," "Expansion," or "Change Dimensions," –and "Total." In addition, an item by item listing of equipment purchased as of that date shall be included with the report as supplemental information.

The report and supplemental information are required as a condition for the receipt and expenditure of the State allocated instructional equipment moneys.

Audit

Districts' disbursements of the State moneys for purchases of instructional equipment shall be reviewed as part of their contracted audits (ECS 84040) and include testing to determine the equipment was for instructional purposes. This will be developed into one of the standardized "State Compliance Requirements" included in the State Department of Finance's "Standards and Procedures for Audits of California Local Educational Agencies."

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CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

THE California Postsecondary Education Commission is a citizen board established in 1974 by the Legislature and Governor to coordinate the efforts of California's colleges and universities and to provide independent, non-partisan policy analysis and recommendations to the Governor and Legislature.

Members of the Commission

The Commission consists of 15 members. Nine represent the general public, with three each appointed for six-year terms by the Governor, the Senate Rules Committee, and the Speaker of the Assembly. The other six represent the major segments of postsecondary education in California.

As of 1985, the Commissioners representing the general public are:

Seth P. Brunner, Sacramento, *Chairperson*
C. Thomas Dean, Long Beach
Seymour M. Farber, M.D., San Francisco
Patricia Gandara, Sacramento
Ralph J. Kaplan, Los Angeles
Roger C. Pettitt, Los Angeles
Sharon N. Skog, Mountain View
Thomas E. Stang, Los Angeles, *Vice Chairperson*
Stephen P. Teale, M.D., Modesto

Representatives of the segments are:

Sheldon W. Andelson, Los Angeles; representing the Regents of the University of California

Claudia H. Hampton, Los Angeles; representing the Trustees of the California State University

Peter M. Finnegan, San Francisco; representing the Board of Governors of the California Community Colleges

Jean M. Leonard, San Mateo; representing California's independent colleges and universities

Darlene M. Laval, Fresno; representing the Council for Private Postsecondary Educational Institutions

Angie Papadakis, Palos Verdes; representing the California State Board of Education

Functions of the Commission

The Commission is charged by the Legislature and Governor to "assure the effective utilization of public postsecondary education resources, thereby eliminating waste and unnecessary duplication, and to promote diversity, innovation, and responsiveness to student and societal needs."

To this end, the Commission conducts independent reviews of matters affecting the 2,600 institutions of postsecondary education in California, including Community Colleges, four-year colleges, universities, and professional and occupational schools.

As an advisory planning and coordinating body, the Commission does not administer or govern any institutions, nor does it approve, authorize, or accredit any of them. Instead, it cooperates with other state agencies and non-governmental groups that perform these functions, while operating as an independent board with its own staff and its own specific duties of evaluation, coordination, and planning.

Operation of the Commission

The Commission holds regular meetings throughout the year at which it debates and takes action on staff studies and takes positions on proposed legislation affecting education beyond the high school in California. By law, the Commission's meetings are open to the public. Requests to address the Commission may be made by writing the Commission in advance or by submitting a request prior to the start of a meeting.

The Commission's day-to-day work is carried out by its staff in Sacramento, under the guidance of its director, Patrick M. Callan, who is appointed by the Commission.

The Commission issues some 30 to 40 reports each year on major issues confronting California postsecondary education. Recent reports are listed on the back cover.

Further information about the Commission, its meetings, its staff, and its publications may be obtained from the Commission offices at 1020 Twelfth Street, Second Floor, Sacramento, CA 98514; telephone (916) 445-7933.

INSTRUCTIONAL EQUIPMENT FUNDING IN CALIFORNIA PUBLIC HIGHER EDUCATION

California Postsecondary Education Commission Report 85-38

ONE of a series of reports published by the Commission as part of its planning and coordinating responsibilities. Additional copies may be obtained without charge from the Publications Office, California Postsecondary Education Commission, Second Floor, 1020 Twelfth Street, Sacramento, California 98514; telephone (916) 445-7933.

Other recent reports of the Commission include:

85-26 Policy Options for the Cal Grant Programs: The Second of Two Reports on California Student Aid Commission Grant Programs Requested by the Legislature in Supplemental Language to the 1984-85 Budget Act (April 1985)

85-27 Segmental Responses to Assembly Concurrent Resolution 71 Regarding Ethnic Awareness (April 1985)

85-28 Comments on the California Community Colleges' Library Space Study: A Report to the Board of Governors of the California Community Colleges in Response to Budget Control Language in the 1984-85 Budget Act (April 1985)

85-29 Reauthorization of the Federal Higher Education Act of 1965: A Staff Report to the California Postsecondary Education Commission (July 1985)

85-30 Director's Report, July-August, 1985: Appropriations in the 1985-86 State Budget for the Public Segments of Postsecondary Education (August 1985)

85-31 Faculty Salaries and Related Matters in the California Community Colleges, 1984-85 (September 1985)

85-32 Annual Report on Program Review Activities, 1983-84 (September 1985)

85-33 Independent Higher Education in California, 1982-1984 (September 1985)

85-34 California College-Going Rates, 1984 Update (September 1985)

85-35 Oversight of Out-of-State Accredited Institutions Operating in California: A Report to the California Postsecondary Education Commission Pursuant to Senate Bill 1036 (December 1985)

85-36 Director's Report, December 1985: From Ninth Grade Through College Graduation: Who Makes It in California Education (December 1985)

85-37 Foreign Graduate Students in Engineering and Computer Science at California's Public Universities: A Report to the Legislature in Response to Supplemental Language in the 1985-86 Budget Act (December 1985)

85-39 Self-Instruction Computer Laboratories in California's Public Universities: A Report to the Legislature in Response to Supplemental Language in the 1985-86 Budget Act (December 1985)

85-40 Proposed Creation of a California State University, San Bernardino, Off-Campus Center in the Coachella Valley (December 1985)

85-41 Progress of thge California Academic Partnership Program: A Report to the Legislature in Response to Assembly Bill 2398 (Chapter 6020, Statutes of 1984) (December 1985)

85-42 Alternative Methods for Funding Community College Capital Outlay: A Report to the Legislature in Response to Supplemental Language in the 1985-86 Budget Act (December 1985)

85-43 Faculty Salaries in California's Public Universities, 1986-87: The Commission's 1985 Report to the Legislature and Governor in Response to Senate Concurrent Resolution No. 51 (1965) (December 1985)

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